



Request for City Council Committee Action from the Department of Community Planning Economic Development

Date: November 7, 2012

To: Council Member Lisa Goodman, Chair Community Development Committee

Subject: Hi Lake Triangle Apartments - Request for Final Approval of up to \$6,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds

Recommendation: Approve the Attached Resolution Giving Final Approval of up to \$6,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds for the Hi- Lake Triangle Apartments Project; Approval of the TIF Resolution and approval of the redevelopment contract business terms attached as Exhibit A; and authorize the appropriate City officials to execute the redevelopment and other funding agreements with Hi Lake Limited Partnership.

Previous Directives: On January 28, 2011 the City Council approved \$1,034,000 Of Livable Communities Demonstration Account Funds (LCDA) for the Hi- Lake Triangle Apartments. On July 1, 2011 the City Council approved a recommendation for staff to proceed with Project Analysis Authorization. On July 22, 2011 the City Council gave preliminary approval of up to \$6,500,000 for the Hi Lake Triangle Apartments Project. On September 21, 2012, the City Council approved the Hi Lake Triangle Apartments Tax Increment Financing (TIF) Plan Modification No. 23 to the Model City Urban Renewal Plan and Modification No. 122 to the Common Plan.

Prepared by: Dollie Crowther, Principal Coordinator (612) 673-5263

Approved by: Thomas A. Streitz, Director of Housing Development _____

Charles T. Lutz, CPED Deputy Director _____

Presenter(s) in Committee: Dollie Crowther

Financial Impact: Project will generate semi-annual administrative fees

Community Impact

- Neighborhood Notification: The East Phillips Neighborhood reviewed the development of this project on June 9, 2011.
- City Goals: This project addresses the following goals: A Place to call Home, Eco-Focused, many People-One Minneapolis, Jobs and economic vitality, Livable Communities-Healthy Lives

- Sustainable targets: Affordable Housing, increased density of development along light rail transit line.
- Comprehensive Plan: Section 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods; Section 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street's character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services offered; Section 4.9 Minneapolis will grow by increasing its supply of housing; Minneapolis will increase its housing that is affordable to low and moderate income households
- Living wage/Business Subsidy Agreement: N/A
- Zoning Code: The project will comply
- Job Linkage: N/A
- Other

Supporting Information

Hi- Lake Triangle Apartments is located at 2230 E. Lake Street, the NW corner of Lake Street and Hiawatha Avenues. It is currently owned by Wellington Management Inc. and will be conveyed at closing to the newly formed applicant, Hi Lake Triangle Limited Partnership. The property is currently vacant land. The newly constructed urban infill development will be located directly adjacent to the Lake Street/Midtown LRT Station. It will consist of 64 units of affordable senior rental housing in a 6 story building that encourages City Living for the elderly. The property is located in the East Phillips Neighborhood. The vacant site totals 2.5 acres and Wellington Management Inc. acquired the site from the Met Council in 2009 through a public auction. Wellington was the lowest bidder. At that time the site was vacant and did not require any clean-up.

The proposed development will be 64 units, 53 -one (1) bedroom and eleven (2) bedroom units that will be 650 sq. ft. and 950 sq. ft. All of the units will be handicapped accessible. The Hi- Lake Triangle development will also incorporate approximately 5,125 gross square feet of retail space on the ground floor level of the building with distinctive entrances on the Lake Street elevation, which will open directly to the sidewalks and the plaza area. The commercial tenants are yet to be determined but it is anticipated that it will include 4-6 smaller retail service type tenants that will complement the commercial tenants at the adjacent Hi-Lake Shopping Center.

All of the 64 units will be affordable to individuals and families earning at or below 60% of Area Median Income. The developer sees a growing diversity of demand patterns for housing choices for urban locations accessible by transit which now includes empty nesters and a growing senior population over the next 20 years. Hi- Lake Triangle will fill the need for this type of housing.

The project will be owned by Hi-Lake Triangle Limited Partnership which will be formed when the project is syndicated. The general partner will be Hi Lake Triangle LLC. The investor for the tax is Stradford Capital. The Project Data Worksheet is attached as **Exhibit B**.

Project Financing Overview

The total development cost of the Hi Lake Project is \$10,575,765. This amount includes the development of the commercial component which is approximately \$950,000. Syndication proceeds totals \$3,013,000 and developer equity includes a general partner cash contribution of \$345,786 and \$477,500 in deferred developer fees. The proposed development has received preliminary approval of Housing Revenue Entitlement Bonds which carries and automatic 4% low income housing tax credit. The developer is requesting \$6,500,000 in Series A and B bonds. The series A Bonds in the approximate amount of \$5,255,000 will be secured by a first mortgage on the property and credit enhanced by Freddie Mac. The first mortgage will be repaid by three sources: revenue from the rental

apartments (\$3,532,900), the revenue generated from the commercial space (\$950,000) and tax increment revenue (\$772,100). The bonds will be AAA rated. The Series B bonds will be secured by the deferred equity installments to be paid in by the limited partner who is securing the tax credits. The TIF will be in the form of a pay-as-you-go note which contemplates 26 years of increment collection. The developer intends to assign the TIF note to the holder of the first mortgage loan.

The developer has received approval for \$1,034,000 of LCDA Funds from the Metropolitan Council and has been approved for \$450,000 of Hennepin County TOD Funds.

The developer will not be seeking AHTF from the City of Minneapolis and will be securing a commercial loan for the ground floor space and will defer almost one half of their developer fee as a source of funds for the housing portion. They will also be making a general partner capital contribution of \$345,786. The total developer fee amount is \$995,000 which falls within the CPED Housing developer fee policy.

The developer is requesting final bond approval for the issuance of up to \$6,500,000 in tax exempt multi-family entitlement housing revenue bonds from the City's 2011 allocation. Of this amount a portion will be TIF supported through the issuance of a pay go TIF Note of up to \$772,100 and the rest will be supported by project revenues. The Series A bonds will be credit enhanced by Freddie Mac and have a 35- 37 year term. Staff anticipates this project will close late December 2012.

Staff has completed its review of the project business terms and they are attached as Exhibit A. Closing is anticipated before the end of December.

The current status of the 2011/2012 HRB Entitlement is based upon a request from Hennepin County for \$50M to assist the Pillsbury A Mill project. This request was a result of not being able to retrieve the entitlement bonds from the State pool as originally anticipated. This request will allow the City of Minneapolis to complete its requested 2012 projects.

HRB Status Information

Total HRB Available (2011/2012)	\$ 98,588,556
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Hennepin County	\$50,000,000
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HRB Projects – Close 2012/ prel./final approval

F Longfellow Station (Closed)	\$ 15,950,000
F Spirit On Lakes	\$ 5,500,000
P Hi-Lake Triangle	\$ 6,500,000
P Pillsbury A Mill	\$ 30,000,000
F 520 2 nd	\$ 7,500,000
City Place Lofts	\$ 10,900,000
Cameron	<u>\$ 10,000,000</u>
Total	\$ 86,350,000

Balance Remaining for Other Projects	\$ 12,238,556
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**RESOLUTION
Of the
City of Minneapolis**

Authorizing the issuance of a tax increment limited revenue note in substantially the form recited herein in a principal amount not exceeding \$772,100 in connection with the Hi-Lake Triangle Apartments Development.

Whereas, the City of Minneapolis (the "City"), acting pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, has certain powers, including without limitation the powers set forth in Minnesota Statutes, Sections 469.001 through 469.047, as amended (the "HRA Act") and Minnesota Statutes, Sections 469.174 through 469.1799, as amended (the "TIF Act"); and

Whereas, in furtherance of the objectives of the HRA Act, the City has undertaken programs for the clearance and reconstruction or rehabilitation of blighted, deteriorated, deteriorating, vacant, unused, underused or inappropriately used, areas of the City, and the development of housing for persons of low and moderate incomes, and in this connection the City is carrying out a redevelopment project known as the Hiawatha and Lake Redevelopment Project (the "Project") pursuant to the Hiawatha and Lake Redevelopment Plan adopted May 19, 2000 (the "Redevelopment Plan"); and

Whereas, in furtherance of the Redevelopment Plan, the City has also approved housing tax increment financing district pursuant to the Hi-Lake Triangle Apartments Tax Increment Financing Plan adopted September 21, 2012 (the "TIF Plan"); and

Whereas, pursuant to the TIF Act, and specifically Minnesota Statutes, Section 469.178, subd. 4, the City is authorized to issue its tax increment limited revenue note(s) to finance the public redevelopment costs of the Project; and

Whereas, the City has entered or will enter into a redevelopment contract (the "Redevelopment Contract") with Hi Lake Limited Partnership (the "Developer"), pursuant to which the Developer will develop a 64-unit affordable rental housing project with approximately 5,125 square feet of commercial space and related site and public improvements in the Project area and the City will provide tax increment financing assistance consistent with the TIF Plan;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

1. That it is desirable that the City issue a tax increment limited revenue note (the "Note") in substantially the following form:

[Form of Note]

**UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF HENNEPIN
CITY OF MINNEAPOLIS**

**TAX INCREMENT LIMITED REVENUE NOTE
(Hi-Lake Triangle Apartments)**

The City of Minneapolis (the "City"), hereby acknowledges itself to be obligated and, for value received, promises to pay to the order of Hi Lake Limited Partnership, a Minnesota limited partnership (the "Developer"), solely from the source, to the extent and in the manner hereinafter provided, the principal amount of this Note, being \$772,100 or such lesser amount as may equal the Public Redevelopment Costs, with interest at the Note Rate, in the installments specified in this Note, on the Payment Dates.

Capitalized terms not defined elsewhere in this Note shall have the meanings below:

"Available Tax Increment" means the Tax Increment received by the City during the period preceding each Payment Date, less (i) the amount of Tax Increment, if any, which the City must pay to the school district, the county and the state pursuant to *Minnesota Statutes*, Sections 469.177, Subds. 9, 10, and 11; 469.176, Subd. 4h; and 469.175, Subd. 1a, as the same may be amended from time to time; and (ii) actual administrative costs of the City in an amount not to exceed 10% of the Tax Increment.

"Contract" means that certain Redevelopment Contract by and between the City and the Developer dated [insert date], 2012.

"District" means the Hi-Lake Triangle Apartments Tax Increment Financing District within the Project.

"Maturity Date" means the earlier of (i) February 1 of the year following the final year of Tax Increment collection from the District; and (ii) the date when the principal and interest amount of this Note has been paid in full.

"Minimum Improvements" means new construction of a 64-unit affordable rental housing project with approximately 5,125 square feet of commercial space and related site and public improvements as described in the Contract.

"Note Rate" means five and two-tenths percent (5.2%) per annum, compounded semiannually.

"Payment Date" means August 1 of the year of first increment collection from the District and each August 1 and February 1 thereafter until the Maturity Date; provided however that in no event will payments commence before the issuance of the Public Redevelopment Costs Certification and the Certificate of Completion.

"Project" means the Hiawatha and Lake Redevelopment Project.

"Property" means the real property legally described in the attached **Exhibit A**.

"Public Redevelopment Costs" means actual Public Redevelopment Costs as defined in and approved pursuant to the Contract.

"Public Redevelopment Costs Certification" means a certificate in substantially the form attached to the Contract, by which the City certifies the Public Redevelopment Costs pursuant to the terms of the Contract.

"Tax Increment" means that portion of the property taxes generated by the Property and Minimum Improvements that is actually remitted to the City as tax increment under the Tax Increment Act.

"Tax Increment Act" means *Minnesota Statutes*, Section 469.174-469.1799, as amended, or any successor statutes applicable to the District.

On each Payment Date, the City shall pay the Developer an installment equal to the lesser of (i) the Available Tax Increment or (ii) the amount necessary to pay the accrued unpaid interest and the unpaid principal amount of this Note in full. If an Event of Default by the Developer has occurred under the Contract, then the City may suspend payment on this Note until (a) the Event of Default has been cured or (b) prior to the issuance of the Certificate of Completion, the Contract and the City's obligations under this Note have been terminated. If the City suspends payments due under this Note, the City shall make the suspended payments to the Developer within ten (10) business days after the Developer has cured the Event of Default. The City is not obligated to pay interest on the amount of the suspended payments between the date the payment is suspended and the last date on which the City is obligated to make the suspended payments to the Developer. If the Developer fails to pay all or a portion of the property taxes due and owing on the Minimum Improvements, then upon such failure to pay, no interest as required by this Note shall accrue on an amount equal to the amount of the Available Tax Increment that would have been paid to the City had such property tax amounts been paid.

Interest shall accrue on the initial principal amount of this Note from the date of issue of the Public Redevelopment Costs Certification. Each payment under this Note, whether a scheduled payment or any other payment, shall be applied first to current interest, then to accrued unpaid interest and then to the unpaid principal amount of this Note.

On the Maturity Date, this Note shall be deemed paid in full and the City shall have no further obligation under this Note even if the aggregate of the Available Tax Increment that has actually been paid to the Developer on the Payment Dates is less than the full principal and interest amount of this Note. The obligation of the City to make any scheduled payment shall terminate if and to the extent that the full principal and interest amount of this Note has been paid in full. This Note may be prepaid in full or in part at any time without penalty.

Each payment on this Note is payable in any coin or currency of the United States of America which on the date of such payment is legal tender for public and private debts and shall be made by wire transfer pursuant to written wire instructions provided by the Developer or by check or draft made payable to the Developer and mailed to the Developer at the address set forth in the Contract or such other address as the Developer shall provide in writing to the City's notice address in the Contract.

The Note is a special and limited obligation and not a general obligation of the City, which has been issued by the City pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including *Minnesota Statutes*, Section 469.178, subdivision 4, to aid in financing a "project", as therein defined, of the City consisting generally of defraying certain public redevelopment costs incurred by the Developer within and for the benefit of the Project.

THE NOTE IS NOT A DEBT OF THE STATE OF MINNESOTA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF MINNEAPOLIS, MINNESOTA, EXCEPT THAT THE CITY SHALL BE OBLIGATED TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT AS SET FORTH HEREIN, AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE LIABLE ON THE NOTE, EXCEPT FOR THE CITY'S OBLIGATION TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT AS SET FORTH HEREIN, NOR SHALL THE NOTE BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN AVAILABLE TAX INCREMENT AS SET FORTH HEREIN.

This Note shall not be transferred to any person, unless the City has been provided with an opinion of counsel acceptable to the City that such transfer is exempt from registration and official statement delivery requirements of federal and applicable state securities law and an investment letter reasonably acceptable to the City.

This Note shall not be payable from or constitute a charge upon any funds of the City, and the City shall not be subject to any liability hereon or be deemed to have obligated itself to pay hereon from any funds except the Available Tax Increment, and then only to the extent and in the manner herein specified.

The Developer shall never have or be deemed to have the right to compel any exercise of any taxing power of the City or of any other public body, and neither the City nor any person executing or registering this Note shall be liable personally hereon by reason of the issuance of registration thereof or otherwise.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and the laws of the State of Minnesota to be done, to have happened, and to be performed precedent to and in the issuance of this Note have been done, have happened, and have been performed in regular and due form, time, and manner as required by law; that this Note is issued pursuant to the Tax Increment Act; and that this Note together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation thereon.

IN WITNESS WHEREOF, the City of Minneapolis, by action of its Mayor and City Council, has caused this Note to be executed by the manual signature of its Finance Officer, and has caused this Note to be dated _____, 2012.

CITY OF MINNEAPOLIS

By _____

Kevin Carpenter

Its Finance Officer
Approved as to form:

Assistant City Attorney

Developer's Federal Tax Id. No. _____

EXHIBIT A TO NOTE

[Legal Description of the Property to be Inserted at Closing]

2. Be It Further Resolved that the form of the Note is hereby approved and shall be executed by the Finance Officer in substantially the form on file, with such changes therein not inconsistent with law as the Finance Officer may approve, which approval shall be conclusively evidenced by the execution thereof.

3. Be It Further Resolved that all actions of the members, employees and staff of the City heretofore taken in furtherance of the issuance of the Note are hereby approved, ratified and confirmed.

4. Be It Further Resolved that the sale of said Note to the Developer is hereby approved, and the Note is hereby directed to be sold to the Developer, upon the terms and conditions set forth in the Redevelopment Contract.

5. Be It Further Resolved that the Finance Officer is hereby authorized and directed to execute such other documents, agreements and certificates as may be required in connection with the Note.

6. Be It Further Resolved that no provision, covenant or agreement contained in the aforementioned documents, the Note or in any other document related to the Note, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the tax increment revenues which are to be applied to the payment of the Note, as provided therein and in the Redevelopment Contract. The Note shall not constitute a charge, lien or encumbrance, legal or equitable upon any property or funds of the City except that revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Note shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the Note or the interest thereon, or to enforce payment hereon against any property of the City. The Note shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

7. Be It Further Resolved that the Note, when executed and delivered, shall contain a recital that it is issued pursuant to the TIF Act, and such recital shall be conclusive evidence of the validity of the Note and the regularity of the issuance thereof, and that all acts, conditions and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Note and to the execution of the aforementioned documents to happen, exist and be performed precedent to and in the enactment of this resolution, and precedent to issuance of the Note and precedent to the execution of the aforementioned documents have happened, exist and have been performed as so required by law.

8. Be It Further Resolved that this resolution shall be in full force and effect from and after its date of publication.

**RESOLUTION
Of the
City of Minneapolis
RESOLUTION 2012R-____**

Authorizing the issuance, sale, and delivery of Multifamily Housing Revenue Bonds (Hi-Lake Limited Partnership Project), Series 2012, payable solely from revenues pledged pursuant to a Trust Indenture; approving the form of and authorizing the execution and delivery of the Bonds and related documents; and providing for the security, rights, and remedies with respect to the Bond.

Resolved by the City Council of the City of Minneapolis:

1. STATUTORY AUTHORIZATION. The City of Minneapolis (the "City") is a home rule city and political subdivision duly organized and existing under its Charter and the Constitution and laws of the State of Minnesota. The City is authorized by Minnesota Statutes, Chapter 462C, as amended (the "Act"), to carry out the public purposes described in the Act by issuing its revenue bonds to provide funds to finance multifamily housing developments within its boundaries. In the issuance of revenue bonds and in the making of loans to finance multifamily housing developments, the City may exercise, within its corporate limits, any of the powers that the Minnesota Housing Finance Agency may exercise under Minnesota Statutes, Chapter 462A, as amended, without limitation under the provisions of Minnesota Statutes, Chapter 475, as amended.

2. THE BORROWER AND THE PROJECT. Hi-Lake Limited Partnership, a Minnesota limited partnership (the "Borrower"), and its general partner, Hi Lake Triangle LLC, a Minnesota limited liability company (the "General Partner"), have requested the participation of the City in the financing of the acquisition, construction, and equipping of a 64-unit multifamily rental housing development for seniors, and facilities functionally related and subordinate thereto, to be located at 2230 East Lake Street at the northwest corner of Lake Street and Hiawatha Avenue in the City (the "Project").

3. THE HOUSING PROGRAM. A Program for a Multifamily Housing Development (the "Housing Program") with respect to the Project and the proposed issuance of revenue bonds to finance the Housing Program and the Project was prepared pursuant to the requirements of Section 462C.03, subdivision 1a, of the Act, and is on file with the City. The Housing Program was submitted to the Metropolitan Council for its review and comments in accordance with the requirements of the Act. The City received a letter from the Metropolitan Council, dated May 12, 2011, providing its comments to the Housing Program and the Project.

4. PUBLIC HEARING AND PRELIMINARY RESOLUTION. The Community Development Committee of the Minneapolis City Council held a public hearing on July 12, 2011, with respect to the Housing Program and the proposed issuance of revenue bonds of the City to finance the Project. The public hearing was conducted at least fifteen (15) days after the publication in the official newspaper of the City and in a newspaper of general circulation in the City of a notice of such public hearing. At a meeting held on July 26, 2011, the City Council of the City adopted Resolution 2012R-369 which approved and adopted the Housing Program, granted preliminary approval to the issuance of revenue bonds of the City in an aggregate principal amount of approximately \$6,500,000, and authorized the staff of the City, in cooperation with bond counsel, to take all steps

necessary and desirable to proceed to develop the Housing Program and the financing therefor.

5. THE BONDS. The Borrower has requested that the City issue its Multifamily Housing Revenue Bonds (Hi-Lake Limited Partnership Project), Series 2012 (the "Bonds"), in an aggregate principal amount of \$6,500,000, for the benefit of the Borrower, pursuant to the terms of a Trust Indenture, dated on or after December 1, 2012 (the "Indenture"), between the City and a trustee to be selected by the Borrower (the "Trustee"). The Borrower has requested that the City loan the proceeds derived from the sale of the Bonds to the Borrower pursuant to the terms of a Financing Agreement, dated on or after December 1, 2012 (the "Financing Agreement"), between the City, the Trustee, and the Borrower. The Borrower proposes to apply the proceeds of the loan made pursuant to the terms of the Financing Agreement (the "Loan") to the payment of a portion of the costs of the acquisition, construction, and equipping of the Project and related costs.

6. OBLIGATIONS OF THE CITY. The City acknowledges, finds, determines, and declares that the issuance of the Bonds is authorized by the Act and is consistent with the purposes of the Act and that the issuance of the Bonds, and the other actions of the City under the Indenture, the Financing Agreement, and this resolution constitute a public purpose and are in the interests of the City. In authorizing the issuance of the Bonds for the financing of the Project and related costs, the City's purpose is and the effect thereof will be to promote the public welfare of the City and its residents by providing multifamily housing developments for low or moderate income senior residents of the City and otherwise furthering the purposes and policies of the Act. The Bonds will be issued pursuant to the terms of the Indenture and this resolution and the Bonds and the interest on the Bonds: (i) shall be payable solely from the revenues pledged therefor under the Financing Agreement; (ii) shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation; (iii) shall not constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers; (iv) shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than the City's interest in the Financing Agreement; and (v) shall not constitute a general or moral obligation of the City.

7. ISSUANCE OF THE BONDS. For the purposes set forth above, there is hereby authorized the issuance, sale, and delivery of the Bonds in the maximum aggregate principal amount not to exceed \$6,500,000. The City hereby authorizes the Bonds to be issued as "tax-exempt bonds" the interest on which is not includable in gross income for federal and State of Minnesota income tax purposes. The City shall allocate a portion of the annual volume cap within the control of the City to the Bonds pursuant to the terms and conditions of Minnesota Statutes, Chapter 474A, as amended, and Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"). The Bonds, substantially in the forms set forth in the Indenture now on file with the City, are hereby approved with the amendments referenced herein. All of the provisions of the Bonds, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Bonds shall bear interest at the rates, shall be designated, shall be numbered, shall be dated, shall mature, shall be issued in the aggregate principal amount, shall be subject to redemption prior to maturity, shall be in such forms, and shall have such other terms, details, and provisions as are prescribed in the Indenture, in the form now on file with the City, which form is hereby approved, with such necessary and appropriate variations, omissions, and insertions (including changes to the aggregate principal amount of the Bonds, the stated maturities of the Bonds, the interest rates on the Bonds, and the terms of redemption of the Bonds) as the Finance Officer, in his discretion, shall determine. The execution of the Bonds with the manual or facsimile signature of the Finance Officer and the delivery of the Bonds by the City shall be conclusive evidence of such determination.

The Bonds shall not constitute general or moral obligations of the City but are special, limited obligations of the City payable solely from the revenues provided by the Borrower pursuant to the terms of the Financing Agreement and from the revenues and security pledged, assigned, and granted pursuant to the Indenture and any other security documents provided by the Borrower to the Trustee. As provided in the Financing Agreement, the Bonds shall not be payable from nor charged upon any funds other than the revenue pledged to their payment, nor shall the City be subject to any liability thereon, except as otherwise provided in this paragraph. No holder of the Bonds shall ever have the right to compel any exercise by the City of any taxing powers of the City to pay the Bonds or the interest or premium thereon, or to enforce payment thereof against any property of the City except the interests of the City in the Financing Agreement and the revenues and assets thereunder, which will be assigned to the Trustee under the terms of the Indenture. The Bonds shall recite that the Bonds are issued pursuant to the Act, and that the Bonds, including interest and premium, if any, thereon, are payable solely from the revenues and assets pledged to the payment thereof, and the Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitations.

8. THE INDENTURE. The Indenture is hereby approved and the Finance Officer is hereby authorized to execute and deliver the Indenture on behalf of the City. All of the provisions of the Indenture, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Indenture shall be substantially in the form now on file with the City with such necessary and appropriate variations, omissions, and insertions as do not materially change the substance thereof, or as the Finance Officer, in his discretion, shall determine, and the execution and delivery thereof by the Finance Officer shall be conclusive evidence of such determination.

9. THE FINANCING AGREEMENT. The Finance Officer is hereby authorized and directed to execute and deliver the Financing Agreement. The loan repayments to be made by the Borrower under the Financing Agreement are to be fixed so as to produce revenues sufficient to pay the principal of, premium, if any, and interest on the Bonds when due. All of the provisions of the Financing Agreement, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Financing Agreement shall be substantially in the form on file with the City which is hereby approved, with such omissions and insertions as do not materially change the substance thereof, and as the Finance Officer, in his discretion, shall determine, and the execution thereof by the Finance Officer shall be conclusive evidence of such determinations.

10. SECURITY. The City acknowledges and hereby approves the following to be provided as security for the payment of the obligations of the Borrower under the Financing Agreement and the payment of the principal of, premium, if any, and interest on the Bonds: (i) a Bond Mortgage Note, dated on or after December 1, 2012 (together with all riders and addenda thereto, the "Bond Mortgage Note") delivered to the City, which Bond Mortgage Note will be endorsed by the City to the Trustee; (ii) a direct-pay Credit Enhancement Agreement, dated on or after December 1, 2012 (the "Credit Facility"), between the Federal Home Loan Mortgage Corporation ("Freddie Mac") and the Trustee which will provide for draws in an amount equal to Guaranteed Payments (as defined in the Indenture) with respect to the Loan; (iii) a Bond Mortgage (as defined in the Indenture), dated on or after December 1, 2012, executed and delivered by the Borrower to the City, which Bond Mortgage will be assigned to the Trustee; (iv) during the construction phase of the Project, a letter of credit to be issued by Bank of Montreal or another suitable letter-of-credit issuer (the "LOC Provider"); and (v) such other security documents as the Borrower, Freddie Mac, the LOC Provider, and the other parties agree are necessary or appropriate to

ensure timely payment of the Loan and the Bonds. All such security documents, if any are delivered, shall be substantially in the forms authorized by the Borrower.

11. THE REGULATORY AGREEMENT. To ensure continuing compliance with certain rental and occupancy restrictions imposed by the Act and Section 142(d) of the Code, and to ensure continuing compliance with certain restrictions imposed by the City, the Finance Officer is hereby authorized and directed to execute and deliver a Regulatory Agreement, dated on or after December 1, 2012 (the "Regulatory Agreement"), between the City, the Borrower, and the Trustee. The Regulatory Agreement shall be substantially in the form on file with the City which is hereby approved, with such omissions and insertions as do not materially change the substance thereof, or as the Finance Officer, in his discretion, shall determine, and the execution thereof by the Finance Officer shall be conclusive evidence of such determinations. All of the provisions of the Regulatory Agreement, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof.

12. BOND PURCHASE AGREEMENT. The Finance Officer is hereby designated as the representative of the City with respect to the issuance of the Bonds and the transactions related thereto and is hereby authorized and directed to accept and execute the Bond Purchase Agreement, to be dated on or after the date of pricing of the Bonds (the "Bond Purchase Agreement"), between Piper Jaffray & Co. (the "Underwriter"), the City, and the Borrower. All of the provisions of the Bond Purchase Agreement, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Bond Purchase Agreement shall be substantially in the form on file with the City on the date hereof, and is hereby approved, with such necessary and appropriate variations, omissions, and insertions as are not materially inconsistent with such form as the Finance Officer, in his discretion, shall determine; provided that the execution thereof by the Finance Officer shall be conclusive evidence of such determination.

13. OTHER CITY DOCUMENTS. The Finance Officer is hereby authorized and directed to accept the Bond Mortgage Note. The Finance Officer is hereby authorized and directed to endorse the Bond Mortgage Note to the Trustee, without recourse, for the benefit of the owners of the Bonds. The Finance Officer is hereby authorized and directed to execute and deliver an Intercreditor Agreement, dated on or after December 1, 2012 (the "Intercreditor Agreement"), among the Issuer, the Trustee, Freddie Mac, and the LOC Provider and, when executed and delivered as authorized herein, the Intercreditor Agreement shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Intercreditor Agreement shall be substantially in the form on file with the City on the date hereof, which is hereby approved, with such necessary variations, omissions, and insertions as are not materially inconsistent with such form and as the Finance Officer, in his discretion, shall determine; provided that the execution thereof by the Finance Officer shall be conclusive evidence of such determination.

The Finance Officer is authorized upon request to furnish certified copies of all proceedings and records of the City relating to the Bonds, and such other affidavits and certificates as may be required to show the facts relating to the Bonds as such facts appear from the books and records in the custody and control of the City; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the City as to the truth of all statements contained therein. The Finance Officer is hereby further authorized to execute and deliver, on behalf of the City, all other certificates, instruments, and other written documents that may be requested by Bond Counsel, the Underwriter, the Trustee, Freddie Mac, the LOC Provider, or other persons or entities in conjunction with the issuance of the Bonds and the expenditure of the proceeds

of the Bonds. Without imposing any limitations on the scope of the preceding sentence, the Finance Officer is specifically authorized to execute and deliver such other documents and certificates as are necessary or appropriate in connection with the issuance, sale, and delivery of the Bonds, including one or more consents to the assignment of a redevelopment agreement, tax increment revenues, and other funds made available to the Borrower and the Project by the City and Hennepin County; an Information Return for Tax-Exempt Private Activity Bond Issues, Form 8038, with respect to the Bonds; an endorsement to a tax certificate as to arbitrage, rebate, and other federal tax matters, appropriate amendments to the Housing Program, and all other documents and certificates as the Finance Officer shall deem to be necessary or appropriate in connection with the issuance, sale, and delivery of the Bonds. The Finance Officer is hereby authorized and directed to execute and deliver all other instruments and documents necessary to accomplish the purposes for which the Bonds are to be issued and the Indenture, the Financing Agreement, the Intercreditor Agreement, and the Bond Purchase Agreement are to be executed and delivered. The preparation and filing of Uniform Commercial Code financing statements with respect to the assignment of the interests of the City in the Financing Agreement, the Bond Mortgage Note, and the other loan documents (excluding the Unassigned Rights, as defined in the Indenture), is hereby authorized. The City hereby authorizes Kennedy & Graven, Chartered, as bond counsel to the City ("Bond Counsel"), to prepare, execute, and deliver its approving legal opinions with respect to the Bonds.

14. DISCLOSURE DOCUMENTS. The City will not participate in the preparation of an official statement or other disclosure document relating to the offer and sale of the Bonds (the "Disclosure Document"), and will make no independent investigation with respect to the information contained in the Disclosure Document, including the appendices thereto, and the City assumes no responsibility for the sufficiency, accuracy, or completeness of such information (except for such limited information regarding the City as is approved by the Finance Officer to be included in the Disclosure Document). The City hereby approves the execution and delivery by the Borrower of a continuing disclosure document, dated on or after December 1, 2012, providing for continuing disclosures by the Borrower in accordance with the provisions of Rule 15c2-12 (17 CFR §240.15c2-12) of the Securities and Exchange Commission issued under the provisions of the Securities Exchange Act of 1934.

15. SUBSEQUENT AMENDMENTS. On any date subsequent to the date of issuance of the Bonds, the Finance Officer is hereby authorized to execute and deliver any amendments or supplements to any of the documents referred to in this resolution on behalf of the City if, after review by the City Attorney and Bond Counsel, the Finance Officer determines that the execution and delivery of such amendment or supplement is in the interests of the City. The Finance Officer may impose any terms or conditions on his execution and delivery of any such amendment or supplement as the Finance Officer deems appropriate.

16. LIMITATIONS OF LIABILITY. No covenant, stipulation, obligation, or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the City Council of the City, or any officer, agent, or employee of the City in that person's individual capacity, and neither the City Council of the City nor any officer or employee executing the Bonds shall be personally liable on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No provision, covenant, or agreement contained in the aforementioned documents, the Bonds, or in any other document relating to the Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to a general or moral obligation of the City or any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants, and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other

than funds and revenues derived from the Financing Agreement, which are to be applied to the payment of the Bonds, as provided therein.

Except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied, is intended or shall be construed to confer upon any person or firm or corporation, other than the City, and any holders of the Bonds issued under the provisions of this resolution, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provisions hereof, this resolution, the aforementioned documents, and all of their provisions being intended to be and being for the sole and exclusive benefit of the City, the Borrower, Freddie Mac, the LOC Provider, the Trustee, and registered and beneficial owners from time to time of the Bonds issued under the provisions of this resolution.

17. SEVERABILITY. In case any one or more of the provisions of this resolution, other than the provisions limiting the liability of the City, or of the aforementioned documents, or of the Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this resolution, or of the aforementioned documents, or of the Bonds, but this resolution, the aforementioned documents, and the Bonds shall be construed and endorsed as if such illegal or invalid provisions had not been contained therein.

18. VALIDITY OF THE BONDS. The Bonds, when executed and delivered, shall contain a recital that they are issued pursuant to the Act, and such recital shall be conclusive evidence of the validity of the Bonds and the regularity of the issuance thereof, and that all acts, conditions, and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Bonds, and to the execution of the aforementioned documents to happen, exist, and be performed precedent to the execution of the aforementioned documents have happened, exist, and have been performed as so required by law.

19. ADDITIONAL ACTIONS. The officers of the City, the City Attorney, Bond Counsel, other attorneys, engineers, and other agents or employees of the City are hereby authorized to do all acts and things required of them by or in connection with this resolution, the aforementioned documents, and the Bonds, for the full, punctual, and complete performance of all the terms, covenants, and agreements contained in the Bonds, the aforementioned documents, and this resolution.

20. DESIGNATION AS PROGRAM BONDS. The Bonds are hereby designated "Program Bonds" and are determined to be within the "Economic Development Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 1997R-402 of the City adopted December 12, 1997.

21. FEES AND INDEMNIFICATION. The Borrower has agreed to pay the administrative fees of the City in accordance with the policy and procedures of the City. It is hereby determined that any and all costs incurred by the City in connection with the financing of the Project will be paid by the Borrower. It is understood and agreed by the Borrower that the Borrower shall indemnify the City against all liabilities, losses, damages, costs, and expenses (including attorney's fees and expenses incurred by the City) arising with respect to the Project or the Bonds, as provided for and agreed to by and between the Borrower and the City in the Financing Agreement.

22. EFFECTIVE DATE. This resolution shall take effect and be in force from and after its approval and publication. Pursuant to Chapter 4, Section 9, of the Charter of the City, only the title of this resolution and a summary of this resolution conforming to Minnesota Statutes, Section 331A.01, subdivision 10, shall be published in the official paper of the City.

